

FAQ International Shadow Payroll

Shadow Payroll: Your Guide to a Smooth Overseas Assignment

As you prepare for your overseas assignment while staying a UK employee, we want to ensure you are fully informed about your payroll. This FAQ provides clear answers about the shadow payroll system, ensuring you are aware of some of the key compliance obligations.

Not all employees will need a shadow payroll. The Global Mobility team will let you know if one applies to your situation. Remember, income tax and NIC/social security obligations may vary depending on personal circumstances and the host country.

1. What is a shadow payroll?

A shadow payroll runs parallel to your UK payroll, calculating taxes and/or social security contributions due in your host country. This ensures you meet local tax obligations while your UK employment continues.

2. Why might I need a shadow payroll?

A shadow payroll is required if your host country has tax and/or social security obligations for employees working there. It ensures you comply with local withholding laws while maintaining your UK employment status.

3. Does everyone on an overseas assignment need a shadow payroll?

No, not all employees need one. The need for a shadow payroll depends on the host country's regulations, assignment duration, and agreements between the UK and the host country. The Global Mobility team will assess your specific case.

4. How does a shadow payroll work?

- Your UK payroll continues to deliver your salary.
- A shadow payroll calculates tax/social security contributions due in the host country, which are processed through your UK payroll.
- It ensures that we meet the employer payroll withholding obligations.

5. How does a shadow payroll ensure compliance?

It ensures compliance by:

- Calculating and withholding the correct taxes/social security contributions in the host country
- Providing reports to local tax authorities
- Ensuring taxes and contributions are paid on your behalf, avoiding penalties.

7. Do I need to file taxes in both the UK and the host country?

Yes, in most cases, you will need to file tax returns in both countries. The shadow payroll helps with withholding, but filing tax returns ensures your full tax liability is reconciled. There is a separate FAQ on Tax Returns for further information on this point.

8. What if I don't need a shadow payroll?

If no shadow payroll is required, your UK payroll generally continues as normal. You may need to manage local tax/social security obligations separately through tax filings.

9. What is an NT (No Tax) code, and do I need one?

An NT code, issued by HMRC, means no UK tax is withheld from your salary. You may need one if you become a non-resident for UK tax purposes and expect to pay no UK taxes. If this applies to you, contact HMRC for their assistance in issuing one.

10. When might I need to continue paying UK National Insurance (NIC)?

You may need to continue paying NIC if:

- **Your assignment is short-term (under two years)** in an EEA country or one with a reciprocal agreement
- **You have a Certificate of Coverage** exempting you from local social security
- **You opt for voluntary NIC payments** to protect UK benefits like the State Pension.

The Global Mobility team will determine if NIC contributions apply to your case.

11. How long will I be on a shadow payroll?

You will remain on a shadow payroll for the duration of your assignment, or if local obligations require. It will stop once your assignment or host country obligations end.

This FAQ provides a general overview of shadow payrolls for overseas assignments. Your situation may vary based on host country regulations and personal circumstances. It is recommendable to seek help from a professional tax advisor to manage your tax affairs.